

METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY



February 4, 2014

John Ingram – Board Chair
The Nashville Entrepreneur Center
41 Peabody Street
Nashville, TN 37210

Dear Mr. Ingram:

Please find attached the Monitoring Report of the Nashville Entrepreneur Center relating to the contract with the Metropolitan Government of Nashville and Davidson County for the fiscal year ending June 30, 2013.

The Office of Financial Accountability is charged with the responsibility of monitoring grant funds, including Direct Appropriations, from Metropolitan Nashville Government to any nonprofit organization. Staff from the Office of Financial Accountability conducted the review on October 15, 2013.

We appreciate the assistance provided by your agency during the course of the review. If you have any questions, please call me at 615-862-6712.

Sincerely,

Kevin Brown

Kevin Brown
Finance Administrator

cc: Michael Burcham, CEO, The Nashville Entrepreneur Center
Sam Lingo, COO, The Nashville Entrepreneur Center
Richard M. Riebeling, Director of Finance

Talia Lomax-O'dneal, Deputy Director of Finance
Gene Nolan, Deputy Director of Finance
Kim McDoniel, Chief of Accounts
Mark Swann, Internal Audit
Fred Adom, CPA, Director, Office of Financial Accountability
Essie Robertson, Office of Financial Accountability
Brad Thompson, Office of Financial Accountability



Metropolitan Government of Nashville and Davidson County

THE NASHVILLE ENTREPRENEUR CENTER

◆ Monitoring Report ◆

Conducted by



Office of Financial Accountability

February 4, 2014

MONITORING REPORT

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INTRODUCTION

The Office of Financial Accountability (hereinafter referred to as “OFA”) has completed a monitoring review of the Nashville Entrepreneur Center. A monitoring review is substantially less in scope than an audit. The OFA did not audit the financial statements and, accordingly, does not express an opinion or any assurances regarding the financial statements of the Nashville Entrepreneur Center or any of its component units. The OFA is responsible for the internal monitoring of Metropolitan Government of Nashville and Davidson County (hereinafter referred to as “Metro”) agencies that receive federal and state financial assistance, including cooperative agreements and non-profit organizations that receive direct appropriations and Community Enhancement Funds from Metro government. In summary, any agreement(s) that imposes performance and/or financial requirements on Metro government is subject to review by the OFA.

The purpose of this review was to assess the agency’s compliance with contractual requirements set forth in the following contract with Metro Government:

Contract	Type	Amount	Contact Term	
L-2852	Direct Appropriations	\$200,000	July 1, 2012	June 30, 2013

Agency Background

The Nashville Entrepreneur Center connects Entrepreneurs with Investors, Mentors and the Critical Resources they need to accelerate the launch of startup businesses. The Entrepreneur Center fosters innovation and entrepreneurship by Turning Ideas Into Reality, helping to start businesses and create jobs. As a non-profit 501(c)3 organization, the Center is funded through sponsorships, partnerships, donations and grants. The Entrepreneur Center relies on support from leading corporations, successful entrepreneurs and those who have a vested interest in the Center’s success.

OBJECTIVES, SCOPE AND METHODOLOGY

The objectives of our review were:

- 1) To determine whether the agency had the resources and capacity to administer the grant funds.
- 2) To determine if costs and services were allowable and eligible.
- 3) To verify that program objectives were met.
- 4) To test the reliability of the financial and programmatic reporting.
- 5) To verify contractual compliance.

The scope of our review was limited to the contract term July 1, 2012 through June 30, 2013.

Audit procedures included meeting with agency management and staff, reviewing the design of internal controls as a basis for establishing our testwork, reviewing board minutes and obtaining written representations from management. In addition, we examined certain financial records and supporting documentation necessary to ensure compliance with contractual requirements set forth in contract L-2852. Specific procedures included:

- Interviewing the employees responsible for grant management, financial reporting and accountability.
- Reviewing supporting documentation of expenditures for allowability, necessity and reasonableness.
- Reviewing the agency's general ledger and verifying the accuracy of all invoices submitted to Metro.
- Reviewing documentation to determine that funds were used for intended beneficiaries and expended in accordance with the spending plan of the contract.
- Reviewing documentation to support program activities for consistency with grant requirements.
- Assessing the financial stability of the agency and its ability to continue to administer the grant program funded by Metro.

RESULTS OF REVIEW

SUMMARY OF RESULTS

Criteria	Yes	No
Sufficient Resources and Capacity to Administer Funds?	✓	
Costs and Services Allowable and Eligible?	✓	
Program Objectives Met?	✓	
Reporting Requirements Met?		✓
Sufficient Internal Control Environment?		✓
Compliance with Civil Rights Requirements?	✓	

RESULTS OF REVIEW

The overall results of the monitoring review are provided in this section. Results are based on testwork performed and include conclusions regarding specific review objectives and, if applicable, recommendations for improvement and an action plan for implementation. This report provides more insight into any issues identified below.

1. Sufficient Resources and Capacity to Administer Grant Funds

Our review of the agency's accounting system and the qualifications of the individuals assigned to manage the accounting records indicate that the agency possesses the necessary resources and professional expertise to effectively administer the grant funds.

2. Allowable and Eligible Costs and Services

Our review covered all of the core compliance areas identified by OMB Circular A- 133: *Audit of States, Local Government, and Non-Profit Organizations*. Costs incurred by the agency complied with applicable guidelines stated in OMB Circular A-122.

Additionally, the Metro Grants Manual requires separate accounting of the Metropolitan Nashville Government grant funds to prevent co-mingling of Metro Funds with other sources of funding. The agency was in compliance with this requirement. Different revenue classes as well as expenditure classes have been established to separately track the sources and amounts of funding. Also, the agency can easily and accurately report their expenses supported by the Metro grant.

Based on our test work, costs and services during the period were allowable and eligible.

3. Program and Performance Objectives

The contract stipulates that the agency shall use the funds to provide the following outcomes:

RESULTS OF REVIEW

- At least 240 initial screenings will be conducted with individuals who wish to pursue the development of a new business.
- At least 120 Mentoring/Coaching sessions will be provided to individuals wanting feedback on their business plans and models.
- At least 250 individuals will participate in training functions, workshops and events held by NEC for the purpose of building the entrepreneur community by connecting entrepreneurs and investors.

Based on our review of program documentation and discussions with staff, program performance objectives were met and the agency was in compliance with contractual program objectives.

4. Reliability of Financial and Programmatic Reporting

The contract requires submission of an annual audit report performed by a Certified Public Accountant. The contract also requires the agency to submit to Metro year end reports of the program outcome and a final expenditures report, no more than 45 days after the close of the contract.

We reviewed all applicable financial and programmatic reports required by the contract, including audited financial statements. Based on our review, the agency failed to comply with all financial and programmatic reporting requirements. See Finding #2 for additional details.

5. Internal Control Environment

In order to determine the adequacy of the design of internal controls, we completed an internal control questionnaire that was performed solely as a basis for determining our test work and to assist us in making suggestions for improvement to management. We did not evaluate the operating effectiveness of internal controls over financial reporting.

Our review of the design of the agency's internal controls revealed a control deficiency. See Finding #1 for additional details.

RESULTS OF REVIEW

6. Civil Rights Requirements

Our review did not reveal anything to indicate that the agency was noncompliant with civil rights requirements. The agency also has necessary written policies and procedures relating to civil rights. The agency has not received any complaints regarding any form of discrimination. Further, civil rights and ADA postings are publicly displayed.

1. **Internal Control Deficiency Related to Payroll**

The Nashville Entrepreneur Center's employee benefits includes compensation for annual leave hours taken, however the agency failed to require its employees to submit leave requests to support time off taken. The NEC's staff members are salary positions for which were compensated 86.67 hours twice a month. The NEC payroll reflected that every employee received 86.67 hours regular pay regardless of the amount of time the employee had taken off. Better business practices dictate that organizations maintain documentation to support expenditures, including payroll expenditures. Adequate documentation to support salary payroll expenditures include employee leave request.

Recommendation

The Nashville Entrepreneur Center should take the necessary steps to ensure paid leave is supported by documented approved leave requests.

2. **Reporting Requirements Not Met**

As of the date of the grant review, October 15, 2013, the Nashville Entrepreneur Center had failed to submit their final reports, as required. Per section C.4 Reporting requirement under the Standard Terms and Conditions of the grant contract, the recipient "shall submit a final expenditure report within 45 (forty-five) days of the end of the Grant Contract." Per section D.9 Final Program Report, the recipient "must submit a final program report within 45 (forty-five) days of the end of the Grant Contract." Since the contract period ended on June 30, 2013, the final expenditure report was due no later than August 15, 2013.

Recommendation

The agency should ensure that the required reports are submitted to the Division of Grants Coordination no later than 45 days of the end of the grant contract.

FINDINGS AND RECOMMENDATIONS

Corrective Action Plan Required

Please submit a corrective action plan indicating the actions the agency intends to take to correct the findings identified in this report. The corrective action plan should be submitted within 30 days from the report date to the address below:

Division of Grants Coordination
PO Box 196300
Nashville, TN 37219
ATTN: Vaughn Wilson